

State Lottery

Analyst: Castro

Historical Summary

OPERATING BUDGET	FY 2005 Total App	FY 2005 Actual	FY 2006 Approp	FY 2007 Request	FY 2007 Gov Rec
BY FUND CATEGORY					
Dedicated	10,867,300	9,978,100	10,810,900	11,154,300	11,101,400
Percent Change:		(8.2%)	8.3%	3.2%	2.7%
BY OBJECT OF EXPENDITURE					
Personnel Costs	2,566,500	2,469,400	2,666,400	2,641,700	2,588,800
Operating Expenditures	7,983,700	7,189,300	8,017,100	8,353,600	8,353,600
Capital Outlay	317,100	319,400	127,400	159,000	159,000
Total:	10,867,300	9,978,100	10,810,900	11,154,300	11,101,400
Full-Time Positions (FTP)	48.00	48.00	48.00	48.00	48.00

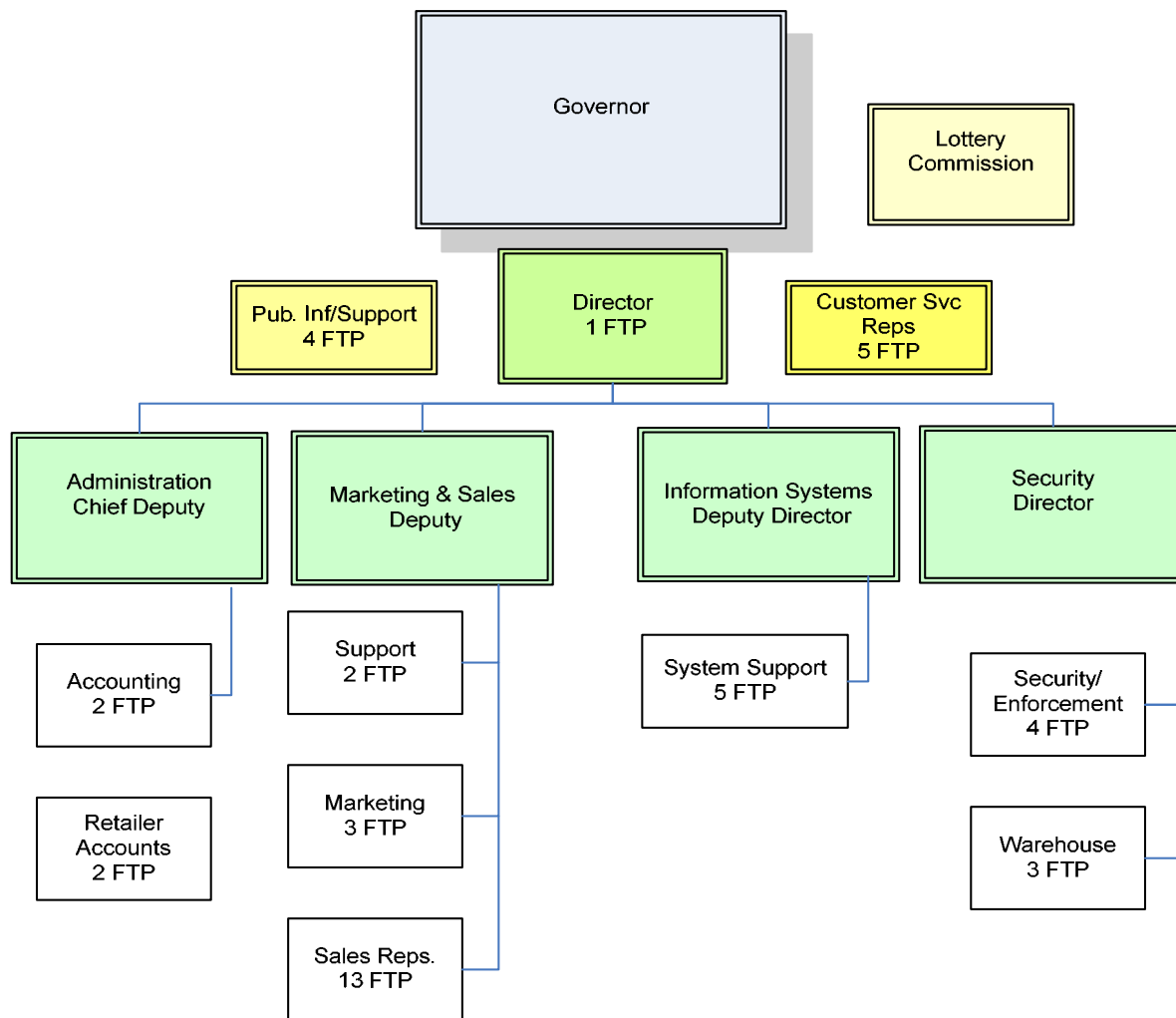
Division Description

In 1988, the Legislature authorized a vote by the electorate of Idaho for a constitutional amendment repealing the constitutional ban on lotteries. The constitutional amendment passed by 51%.

The mission of the Idaho Lottery is to maximize net income and the resulting annual dividend payments for Idaho public schools and buildings. Since its inception in 1989, the Lottery has produced more than \$290 million in dividends. The Idaho Lottery Commission is a five-member board appointed by the Governor and serves five-year terms. The Commission adopts rules for the agency, approves contracts, and monitors the Idaho Lottery Commission operations.

State Lottery Agency Profile

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Sources/Uses of Funds

State Lottery Fund (419-00): Derived from the sale of lottery tickets (Idaho Code section 67-7428). The Fund is used to pay agency administrative expenses including personnel, operating and capital outlay. Also, expenditures include the following continuously-appropriated expenses: prizes, retailer commissions, and advertising and promotion costs. For example, in FY 2005, prize payments were \$69,593,162; retailer commissions were \$8,233,139; and advertising was \$2,790,890.

*Includes \$85,900 for the 27th payroll.

**FY 2006
Appropriation***

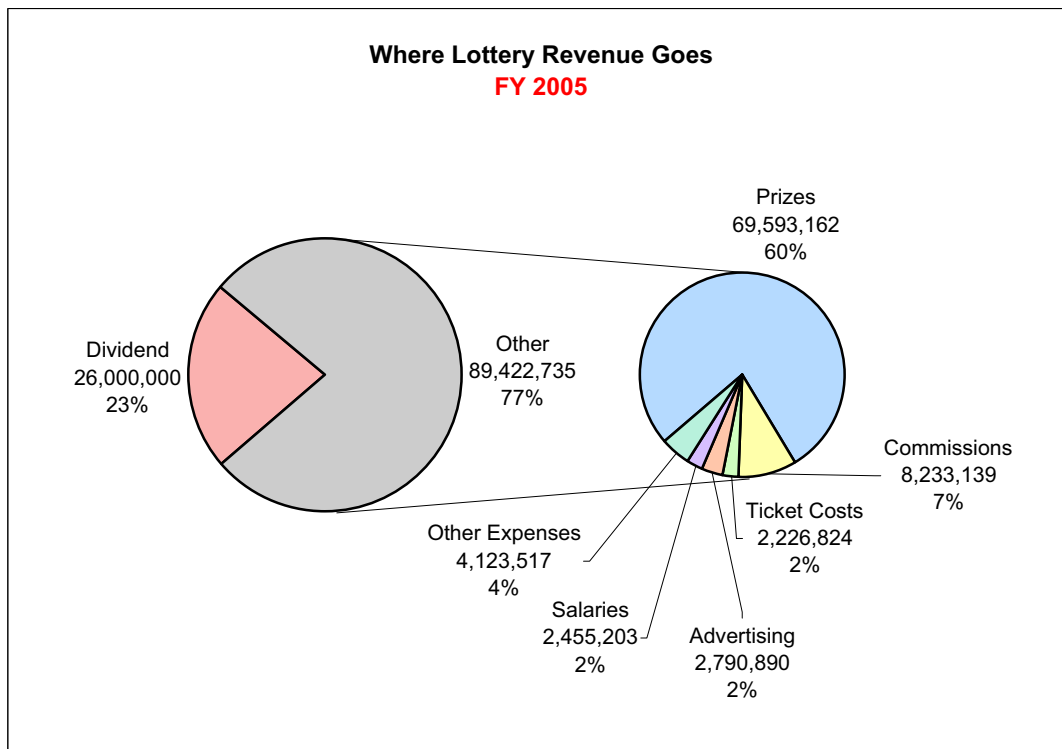
\$10,810,900

Statutory Requirements

Prize payout shall be no less than 45% of lottery revenues.

Administrative costs shall not exceed 15% of lottery revenue during any fiscal year.

Advertising & promotional costs shall not exceed 3.5% of lottery revenue during any fiscal year.



Selected Measures

	FY 2002 Act	FY 2003 Act	FY 2004 Act	FY 2005 Act
1 Increase annual dividend \$500,000	\$18 million	\$20.5 million	\$25 million	\$26 million
2 Retail locations selling on-line tickets	700	715	732	750
3 Scratch tckt vending machines	225	225	245	275
4 Retailers selling scratch tickets	1,002	1,002	1,012	1,020
5 Retailers selling pull-tab tickets	160	160	170	160

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Comparative Summary

Decision Unit	Agency Request			Governor's Rec		
	FTP	General	Total	FTP	General	Total
FY 2006 Original Appropriation	48.00	0	10,810,900	48.00	0	10,810,900
HB 395 One-time 1% Salary Increase	0.00	0	21,500	0.00	0	21,500
Omnibus CEC Supplemental	0.00	0	0	0.00	0	24,600
FY 2006 Total Appropriation	48.00	0	10,832,400	48.00	0	10,857,000
Removal of One-Time Expenditures	0.00	0	(181,400)	0.00	0	(181,400)
FY 2007 Base	48.00	0	10,651,000	48.00	0	10,675,600
Benefit Costs	0.00	0	39,900	0.00	0	(55,600)
Inflationary Adjustments	0.00	0	152,300	0.00	0	152,300
Replacement Items	0.00	0	49,000	0.00	0	49,000
Statewide Cost Allocation	0.00	0	67,800	0.00	0	67,800
Change in Employee Compensation	0.00	0	21,300	0.00	0	39,300
FY 2007 Program Maintenance	48.00	0	10,981,300	48.00	0	10,928,400
1. Wireless Order Pad System	0.00	0	173,000	0.00	0	173,000
FY 2007 Total	48.00	0	11,154,300	48.00	0	11,101,400
Change from Original Appropriation	0.00	0	343,400	0.00	0	290,500
% Change from Original Appropriation			3.2%			2.7%

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Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
FY 2006 Original Appropriation	48.00	0	10,810,900	0	10,810,900

HB 395 One-time 1% Salary Increase

Reflects a one-time 1% Change in Employee Compensation (CEC) increase.

Agency Request	0.00	0	21,500	0	21,500
Governor's Recommendation	0.00	0	21,500	0	21,500

Omnibus CEC Supplemental

Agency Request	0.00	0	0	0	0
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The Governor's FY 2007 recommendation is a 3% ongoing increase in employee compensation (CEC), based on merit, to commence in FY 2006 with the January 29 pay period. This will allow agencies to fund employee compensation increases for ten pay periods prior to the end of the current fiscal year. Funding for the remaining 16 pay periods is provided in the FY 2007 CEC.

Governor's Recommendation	0.00	0	24,600	0	24,600
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FY 2006 Total Appropriation					
Agency Request	48.00	0	10,832,400	0	10,832,400
Governor's Recommendation	48.00	0	10,857,000	0	10,857,000

Removal of One-Time Expenditures

Removes \$21,500 in funding provided for by HB395; \$85,900 in funding provided for the 27th pay period, and \$74,000 in capital outlay.

Agency Request	0.00	0	(181,400)	0	(181,400)
Governor's Recommendation	0.00	0	(181,400)	0	(181,400)

FY 2007 Base					
Agency Request	48.00	0	10,651,000	0	10,651,000
Governor's Recommendation	48.00	0	10,675,600	0	10,675,600

Benefit Costs

Includes the employer-paid portion of estimated changes in employee benefit costs. The two biggest factors are health insurance rates and retirement rates. Health insurance is projected to increase by 6.1% or \$436 per position. Retirement rates are scheduled to increase by 5.9% from 10.39% to 11% of salary for regular employees and by 5.7% from 10.73% to 11.34% of salary for police and firefighters. Other benefit changes include minor adjustments in unemployment insurance rates and workers compensation rates.

Agency Request	0.00	0	39,900	0	39,900
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Removes the PERSI rate increase and changes benefit costs to reflect a 3.5% or \$250 per FTP increase in health insurance costs. However, the change in health insurance providers, from Blue Shield to Blue Cross, has created a one-time opportunity to use unexpended reserves from the previous contract. This decision unit provides for a health insurance premium reduction equal to two month's premiums for both the employer and employee. Finally, a life insurance holiday is included equal to seven month's premium for the employer's share only.

Governor's Recommendation	0.00	0	(55,600)	0	(55,600)
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Inflationary Adjustments

Includes a general inflationary increase of 1.9% in operating expenditures.

Agency Request	0.00	0	152,300	0	152,300
Governor's Recommendation	0.00	0	152,300	0	152,300

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Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
Replacement Items					
Replacement capital outlay includes: Box Delivery Truck (\$37,500); 2 Switches (\$6,000); a network server (\$3,500); and 2 network printers (\$2,000).					
Agency Request	0.00	0	49,000	0	49,000
<i>Governor's Recommendation</i>	<i>0.00</i>	<i>0</i>	<i>49,000</i>	<i>0</i>	<i>49,000</i>
Statewide Cost Allocation					
The Statewide Cost Allocation Plan assesses state agencies for their actual use of Attorney General, State Controller and State Treasurer services and includes changes in property and casualty insurance premiums. This decision unit also includes changes in fees charged for legislative audits and changes in the cost of office space leased to state agencies by the Department of Administration.					
Agency Request	0.00	0	67,800	0	67,800
<i>Governor's Recommendation</i>	<i>0.00</i>	<i>0</i>	<i>67,800</i>	<i>0</i>	<i>67,800</i>
Change in Employee Compensation					
Calculated cost of a 1% salary increase for permanent and group positions.					
Agency Request	0.00	0	21,300	0	21,300
<i>Provides funding for the remaining 16 pay periods to annualize the 3% ongoing change in employee compensation recommended in the omnibus CEC supplemental.</i>					
<i>Governor's Recommendation</i>	<i>0.00</i>	<i>0</i>	<i>39,300</i>	<i>0</i>	<i>39,300</i>
FY 2007 Program Maintenance					
Agency Request	48.00	0	10,981,300	0	10,981,300
<i>Governor's Recommendation</i>	<i>48.00</i>	<i>0</i>	<i>10,928,400</i>	<i>0</i>	<i>10,928,400</i>
1. Wireless Order Pad System					
The commission is requesting a wireless order pad system to assist sales representatives while inventorying lottery retail outlets. The current system is a manual count and data entry system that is time and resource consuming. The system would allow current staff to link with the main office as well as plan effective inventory routes, process orders faster, and provide up to the minute sales data. The costs are one-time costs to implement the system; on-going costs will be absorbed through increased efficiency or cost savings in other areas. The breakout of costs is \$116,400 in operating expense for implementation and \$56,600 in capital outlay.					
Agency Request	0.00	0	173,000	0	173,000
<i>Governor's Recommendation</i>	<i>0.00</i>	<i>0</i>	<i>173,000</i>	<i>0</i>	<i>173,000</i>
FY 2007 Total					
Agency Request	48.00	0	11,154,300	0	11,154,300
<i>Governor's Recommendation</i>	<i>48.00</i>	<i>0</i>	<i>11,101,400</i>	<i>0</i>	<i>11,101,400</i>
Agency Request					
Change from Original App	0.00	0	343,400	0	343,400
% Change from Original App	0.0%		3.2%		3.2%
<i>Governor's Recommendation</i>					
<i>Change from Original App</i>	<i>0.00</i>	<i>0</i>	<i>290,500</i>	<i>0</i>	<i>290,500</i>
<i>% Change from Original App</i>	<i>0.0%</i>		<i>2.7%</i>		<i>2.7%</i>